Consolidated Financial Statements and Other Financial Information

Mary Washington Healthcare and Subsidiaries

December 31, 2023 and 2022

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Contents

Independent Auditors' Report

To the Board of Trustees of
Mary Washington Healthcare and Subsidiaries
Fredericksburg, Virginia

Opinion

We have audited the consolidated financial statements of Mary Washington Healthcare and Subsidiaries (MWHC), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of MWHC as of December 31, 2023 and 2022, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of MWHC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MWHC's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MWHC's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MWHC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying other financial information on pages 42 - 46 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

New Castle, Pennsylvania
April 16, 2024

Mary Washington Healthcare and Subsidiaries

Consolidated Balance Sheets

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	**$ 58,015,314**	$ 67,469,234
Accounts receivable:		
Patient accounts receivable	**88,427,456**	73,030,574
Settlements due from third parties	**31,488,450**	30,423,888
Other	**19,097,048**	12,199,087
	139,012,954	115,653,549
Inventories	**21,389,091**	20,570,600
Prepaid expenses and other	**19,079,876**	19,002,147
Total current assets	**237,497,235**	222,695,530
Assets whose use is limited *(Note 2):*		
Internally designated for healthcare programs and capital acquisitions	**298,307,366**	254,380,974
Internally restricted for malpractice claims	**17,700,727**	18,242,938
Externally restricted under bonds	**25,388,164**	-
Externally restricted by donors	**17,944,898**	18,923,388
	359,341,155	291,547,300
Property, plant, and equipment, less accumulated depreciation and amortization *(Note 4)*	**330,903,860**	299,089,110
Right-of-use assets - operating leases, net *(Note 13)*	**43,640,319**	35,354,360
Other non-current assets	**7,678,616**	6,814,649
Total assets	**$ 979,061,185**	$ 855,500,949

(continued)

See Notes to Consolidated Financial Statements

Mary Washington Healthcare and Subsidiaries

Consolidated Balance Sheets (continued)

	December 31, 2023	December 31, 2022
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 70,606,570**	$ 53,767,950
Employee compensation and professional fees	**40,354,121**	36,369,456
Interest payable	**709,198**	418,332
Current maturities of long-term obligations *(Notes 5)*	**12,869,067**	12,437,498
Current operating lease obligations *(Note 13)*	**5,331,397**	4,646,251
Current maturities of long-term accounts payable *(Note 8)*	**115,070**	1,537,814
Total current liabilities	**129,985,423**	109,177,301
Long-term obligations, less current maturities *(Notes 5)*	**251,686,616**	212,418,498
Other liabilities:		
Long-term accounts payable, less current maturities *(Note 8)*	**-**	25,848
Long-term operating lease obligations *(Note 13)*	**40,403,639**	32,465,567
Accrued losses on malpractice claims *(Note 7)*	**13,881,434**	13,169,550
Pension liability *(Note 6)*	**6,558,791**	15,226,936
Other	**4,819,944**	3,771,621
	65,663,808	64,659,522
Total liabilities	**447,335,847**	386,255,321
Net assets:		
Mary Washington Healthcare and Subsidiaries	**505,544,524**	441,945,712
Non-controlling interest	**8,235,916**	8,376,528
Net assets without donor restrictions *(Note 3)*	**513,780,440**	450,322,240
Net assets with donor restrictions *(Note 3)*	**17,944,898**	18,923,388
	531,725,338	469,245,628
Total liabilities and net assets	**$ 979,061,185**	$ 855,500,949

See Notes to Consolidated Financial Statements

Mary Washington Healthcare and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Years ended December 31, 2023	2022
Net assets without donor restrictions		
Revenues and other support:		
Net patient service revenue	**$ 938,137,265**	$ 851,037,754
Retail and pharmacy sales	**4,297,102**	4,674,360
Rental of facilities	**2,943,627**	3,278,271
Management and personnel services	**4,237,256**	3,526,415
Investment income *(Note 2)*	**9,237,182**	9,169,754
Unrestricted contributions	**598,518**	463,519
Insurance premiums	**37,358,762**	34,486,350
Other	**36,643,729**	18,419,591
	1,033,453,441	925,056,014
Expenses *(Note 9)*		
Salaries and wages	**374,062,747**	331,254,634
Employee benefits *(Note 6)*	**67,763,460**	61,913,213
Contract personnel	**42,659,419**	46,885,222
Professional fees	**95,813,082**	84,713,387
General and administrative	**65,881,570**	56,651,741
Provisions for depreciation and amortization *(Note 4)*	**43,466,938**	42,970,438
Interest *(Note 5)*	**9,847,479**	8,656,445
Cost of goods sold from retail operations	**6,016,899**	5,453,287
Contract services	**79,515,786**	77,218,666
Supplies	**154,587,995**	139,783,044
Medical insurance claims	**26,382,516**	22,572,278
Utilities	**6,477,962**	6,256,409
Insurance *(Note 7)*	**4,120,923**	4,639,817
Rent	**17,502,444**	15,981,240
Other	**5,894,493**	6,242,104
	999,993,713	911,191,925
Income from operations	**33,459,728**	13,864,089
Nonoperating gains (losses):		
Net appreciation (depreciation) of investments *(Note 2)*	**37,178,773**	(72,427,715)
Pension (expense) gain, non-service component *(Note 6)*	**(4,381,031)**	3,219,745
(Losses) on investments in partnerships and other	**(1,252,818)**	(72,021)
Excess (deficiency) of revenues, gains, and other support over expenses and losses	**$ 65,004,652**	$ (55,415,902)

(continued)

See Notes to Consolidated Financial Statements

Mary Washington Healthcare and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (continued)

	Years ended December 31, 2023	2022
Net assets without donor restrictions		
Excess (deficiency) of revenues, gains, and other support over expenses and losses, after noncontrolling interest	**$ 65,004,652**	$ (55,415,902)
Other changes in net assets without donor restrictions:		
Adjustments to net pension liability exclusive of net periodic pension cost *(Note 6)*	**10,040,776**	8,096,131
Changes in noncontrolling interest	**(11,324,995)**	(8,642,573)
Other	**(262,233)**	(52,237)
Increase (decrease) in net assets without donor restrictions	**63,458,200**	(56,014,581)
Net assets with donor restrictions		
Contributions	**913,059**	506,682
Investment income *(Note 2)*	**784,924**	119,861
Net assets released from restrictions used in operations	**(2,672,787)**	(1,314,636)
Other	**(3,686)**	(6,912)
Decrease in net assets with donor restrictions	**(978,490)**	(695,005)
Increase in net assets	**62,479,710**	(56,709,586)
Net assets at beginning of year	**469,245,628**	525,955,214
Net assets at end of year	**$ 531,725,338**	$ 469,245,628

See Notes to Consolidated Financial Statements

Mary Washington Healthcare and Subsidiaries

Consolidated Statements of Cash Flows

	Years ended December 31, 2023	2022
Cash flows from operating activities and nonoperating gains (losses)		
Change in net assets	**$ 62,479,710**	$ (56,709,586)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities and nonoperating gains (losses):		
Net (appreciation) depreciation of investments	**(37,178,773)**	72,427,715
Other nonoperating (gains) losses	**(365,752)**	72,020
Loss on disposal of fixed assets	**1,618,570**	-
Provisions for depreciation and amortization	**43,466,938**	42,970,438
Accretion of original issue premium	**(1,160,175)**	(1,212,656)
Amortization of deferred financing costs	**(22,703)**	128,573
Operating leases	**337,259**	358,431
Change in pension obligation other than net periodic pension cost	**(10,040,776)**	(8,096,131)
(Increase) decrease in:		
Accounts receivable	**(22,294,843)**	(2,846,392)
Settlements due to/from third parties	**(1,064,562)**	(12,479,784)
Inventories	**(818,491)**	(509,617)
Prepaid expenses and other	**(77,729)**	(3,532,713)
Other	**550,108**	174,400
Increase (decrease) in:		
Accounts payable and accrued expenses	**15,945,430**	(5,786,897)
Employee compensation and professional fees	**3,984,665**	(6,437,208)
Interest payable	**290,866**	(24,809)
Accrued losses on malpractice claims	**711,884**	1,553,459
Pension liability	**1,372,631**	(6,211,345)
Net cash provided by operating activities and nonoperating gains (losses)	**57,734,257**	13,837,898

(continued)

Mary Washington Healthcare and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	Years ended December 31, 2023	2022
Cash flows from investing activities		
Change in assets whose use is limited:		
Net (purchases) proceeds of investments	**$ (4,785,598)**	$ 32,344,174
Net decrease in pledges receivable	**(441,320)**	(127,185)
Acquisition of property, plant, and equipment	**(72,811,108)**	(25,809,607)
Net cash (used in) provided by investing activities	**(78,038,026)**	6,407,382
Cash flows from financing activities		
Repayment of long-term accounts payable	**(1,448,592)**	(1,247,286)
Proceeds from long-term obligations	**50,000,000**	-
Repayment of Medicare accelerated and advanced payments	**-**	(58,418,518)
Repayment of long-term obligations	**(12,313,395)**	(12,048,098)
Net cash provided by (used in) financing activities	**36,238,013**	(71,713,902)
Net change in cash and cash equivalents	**15,934,244**	(51,468,622)
Cash and cash equivalents and restricted cash beginning of year	**67,469,234**	118,937,856
Cash and cash equivalents and restricted cash, end of year	**83,403,478**	67,469,234
Cash and cash equivalents and restricted cash include		
Cash and cash equivalents	**$ 58,015,314**	$ 67,469,234
Assets limited as to use:		
Externally restricted under bonds	**25,388,164**	-
	$ 83,403,478	$ 67,469,234
Supplemental disclosure of cash flow information		
Cash paid for interest	**$ 9,356,140**	$ 8,552,686
Non-cash Transactions:		
Property, plant, and equipment acquired through vendor financing	**$ 3,195,960**	$ 5,836,011
Property, plant, and equipment acquired through accounts payable	**$ 893,190**	$ 807,379

See Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Organization

Mary Washington Healthcare is the parent corporation for Mary Washington Hospital, Inc. (Mary Washington), Stafford Hospital, LLC (Stafford), MediCorp Properties, Inc. (Properties), Mary Washington Healthcare Clinical Services, Inc. (Clinical Services), Mary Washington Healthcare Services, Inc. (Services), Fredericksburg Professional Risk Exchange (ProRex), MWHC SIR, LLC (SIR), Mary Washington Health Alliance, LLC (MWHA), and Mary Washington Health Plan (MWHP). Mary Washington Healthcare is a nonstock, tax-exempt, not-for-profit organization. Mary Washington, Stafford, Properties, and Clinical Services are wholly-controlled, nonstock, tax-exempt, not-for-profit subsidiaries of Mary Washington Healthcare. Services is a wholly-owned, taxable subsidiary of Mary Washington Healthcare. ProRex is a wholly-owned risk retention group and a taxable subsidiary of Mary Washington Healthcare. Mary Washington Healthcare is the sole member of both SIR and MWHA, which were considered disregarded entities for tax purposes as of December 31, 2022. MWHP is a joint venture owned 80% (90% in 2022) by Mary Washington Healthcare.

Mission Statement

The primary purpose of Mary Washington Healthcare and its subsidiaries (collectively, MWHC) is to improve the health of the people within the communities that they serve. As a result, operating revenues include those generated from direct patient care and sundry revenues related to the operation of MWHC's programs and facilities.

Operating Indicators

MWHC's excess (deficiency) of revenues, gains, and other support over expenses and losses includes all unrestricted revenue, gains, expenses, and losses for the reporting period except for additional adjustments to net pension liability exclusive of net periodic pension cost and other.

Other activities that result in gains or losses unrelated to MWHC's primary mission are considered to be nonoperating. Nonoperating gains and losses principally include gains and losses associated with investments in partnerships and joint ventures, the net appreciation (depreciation) of investments, and non-service component pension expense.

Basis for Consolidation

The consolidated financial statements include the accounts of Mary Washington Healthcare and its wholly controlled (tax-exempt) or owned (taxable) subsidiaries and majority-owned partnerships. Significant intercompany accounts and transactions are eliminated in consolidation.

1. Summary of Significant Accounting Policies (continued)

Service to the Community

MWHC provides medical services to the city of Fredericksburg and surrounding counties. Established in 1899 and 2009, respectively, Mary Washington (a 471-bed acute care facility) and Stafford (a 100-bed acute care facility) offer comprehensive healthcare and multiple clinical service lines including cardiology and cardiovascular surgery, psychiatry, and women and infant health. Mary Washington and Stafford (collectively, Hospitals) are accredited by the Joint Commission and licensed by the Virginia Department of Behavioral Health and Developmental Services. Mary Washington also provides advanced radiation therapy through the Cancer Center of Virginia and home health services through Mary Washington Home Health.

Uncompensated Care

MWHC provides a full spectrum of inpatient and outpatient services to members of their community and accepts all patients regardless of their ability to pay. Patients are classified as eligible for charity care according to MWHC's established policies. Amounts determined to qualify as charity care are not pursued for collections and, accordingly, are not reported as patient revenue. In assessing a patient's inability to pay, MWHC utilizes 200% of the poverty level established by the federal government. MWHC also provides additional discounts on a sliding scale up to 500% of the poverty level. Charges for charity care provided for the years ended December 31, 2023 and 2022, were approximately $16,329,000 and $28,267,000, respectively. The costs associated with this care equated to approximately $6,194,000 in 2023 and $10,745,000 in 2022. The cost of uncompensated care includes both direct and indirect costs calculated on a ratio of cost to charges basis.

Support for Medical Education Programs

Mary Washington is an approved Accreditation Council for Graduate Medical Education (ACGME) Sponsoring Institution, currently with a total of four ACGME accredited programs: Family Medicine, Internal Medicine, Transitional Year, and General Surgery, as well as a Pharmacy Residency approved by the American Society of Hospital Pharmacist. Mary Washington currently has two Graduate Medical Education residency clinics, to train and retain a cohort of over 60 family practice and internal medicine physicians. These clinics can serve over 50,000 patients annually. These residency programs are an investment to permanently address the historic lack of primary care access within the service area.

The Mary Washington Hospital Foundation, Inc. and Stafford Hospital Foundation, Inc. (collectively, Foundations) award educational scholarships to individuals enrolled in a nursing program or who wish to pursue a career in a healthcare field. MWHC encourages and provides financial support for certain employees who wish to increase their healthcare knowledge. MWHC also provides financial assistance to employees to attend training to acquire skills and knowledge that will assist in providing healthcare education and/or conduct health fairs that will improve the health status of the community. Mary Washington serves as a clinical training site for undergraduate students enrolled in various healthcare programs with colleges and universities throughout Virginia.

1. Summary of Significant Accounting Policies (continued)

Service to the Community (continued)

Other Community Services

MWHC also provides:

- community benefit funding to six charitable safety net clinics and other community organizations that are health-focused,
- clinical programs that assist many people who would not otherwise be able to access care,
- health promotion programs and services, such as smoking cessation, blood pressure screenings, and wellness programs, and
- social services to assist patients in arranging for non-hospital healthcare services.

Noncontrolling Interest

Noncontrolling interest represents the noncontrolling partners' proportionate share of Medical Imaging of Fredericksburg (MIF), owned 51% by Clinical Services; Fredericksburg Ambulatory Surgery Center, LLC (FASC), owned 61% (59% in 2022) by Clinical Services; Mary Washington Health Plan, owned 80% (90% in 2022) by MWHC, and Endoscopy Holdings, owned 60% by MWHC.

Changes in consolidated net assets without donor restrictions attributable to controlling and noncontrolling interests for the years ended December 31, 2023 and 2022 are as follows:

	Total	Controlling Interest	Noncontrolling Interest
Balance, December 31, 2021	$ 506,336,821	$ 501,231,073	$ 5,105,748
(Deficiency) excess of revenues, gains, and other support over expenses and losses	(55,415,902)	(67,329,255)	11,913,353
Adjustments to net pension liability exclusive of net periodic pension cost	8,096,131	8,096,131	-
Other	(52,237)	(52,237)	-
Distributions to noncontrolling shareholders	(10,712,623)	-	(10,712,623)
Change in ownership	2,070,050	-	2,070,050
Increase (decrease) in net assets without donor restrictions	(56,014,581)	(59,285,361)	3,270,780
Balance, December 31, 2022	$ 450,322,240	$ 441,945,712	$ 8,376,528

(continued)

1. Summary of Significant Accounting Policies (continued)

Noncontrolling Interest (continued)

	Total	Controlling Interest	Noncontrolling Interest
Balance, December 31, 2022	$ 450,322,240	$ 441,945,712	$ 8,376,528
Excess of revenues, gains, and other support over expenses and losses	65,004,652	53,820,269	11,184,383
Adjustments to net pension liability exclusive of net periodic pension cost	10,040,776	10,040,776	-
Other	(262,233)	(262,233)	-
Contributions to noncontrolling interest	800,000	-	800,000
Distributions to noncontrolling shareholders	(13,412,060)	-	(13,412,060)
Change in ownership	1,287,065	-	1,287,065
Increase (decrease) in net assets without donor restrictions	63,458,200	63,598,812	(140,612)
Balance, December 31, 2023	$ 513,780,440	$ 505,544,524	$ 8,235,916

Use of Estimates

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

MWHC considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents are maintained in commercial banks, for which the aggregate of $250,000 per commercial bank is insured by the Federal Deposit Insurance Corporation (FDIC). MWHC's cash balance routinely exceeds the maximum amount insured by the FDIC. MWHC has not experienced any losses related to funds held in excess of the FDIC limit.

As a matter of policy, MWHC does not consider investments that are temporarily in cash and cash equivalents form to be subject to this disclosure.

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are reported at estimated net realizable value taking into account estimated implicit and explicit price concessions. The estimated implicit price concessions are based upon management's judgmental assessment of historical and expected net collections considering business and general economic conditions in its service area, trends in healthcare coverage, and other collection indicators. For receivables associated with services provided to patients who have third-party coverage (which includes patients with deductible and payment balances for which third-party coverage exists for part of the bill), MWHC analyzes contractually due amounts and provides an allowance for explicit price concessions, if necessary. Throughout the year, management assesses the adequacy of the estimated price concessions based upon its review of accounts receivable payor composition and aging, taking into consideration recent experience by payor category, payor agreement rate changes, and other factors. The results of these assessments are used to make modifications to patient service revenue and to establish an appropriate estimate for price concessions. MWHC follows established guidelines for placing certain past-due patient balances with external collection agencies.

Inventories

Inventories of drugs, medical supplies, and retail goods are stated at the lower of cost (first-in, first-out) or net realizable value. Net realizable value is the estimated selling price used in the ordinary course of business, less reasonable predictable costs of completion, disposal, and transportation.

Assets Whose Use is Limited

Resources appropriated or designated by the Board of Trustees for long-term purposes are reported as assets whose use is limited. Such long-term purposes include acquisition of capital assets and a community service fund. Assets whose use is limited also include resources restricted for malpractice claims, by bond indenture, and resources restricted by donors.

Assets whose use is limited are comprised of cash, investments, and pledges receivable and are carried at fair value in the accompanying consolidated financial statements. Realized and unrealized gains and losses are excluded from income from operations. Cost used in the determination of gains and losses on sales of investments is based on the specific cost of the investment sold.

Property, Plant, and Equipment

Property, plant, and equipment purchased are reported on the basis of cost. Donated items are recorded at fair market value at the date of contribution. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The general range of useful lives estimated for buildings and building improvements is ten to forty years and for equipment is five to twenty-five years.

1. Summary of Significant Accounting Policies (continued)

Deferred Financing Costs

Financing costs incurred in connection with issuance of long-term obligations are deferred and amortized using the effective interest method over the term of the related indebtedness. The deferred financing costs are included in long-term obligations on the accompanying consolidated balance sheets.

Net Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which MWHC expects to be entitled to in exchange for providing patient care and is recognized as performance obligations are satisfied. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, MWHC bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility.

Performance obligations associated with inpatient services are satisfied over time and are recognized based on actual charges incurred in relation to total expected charges. MWHC measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and MWHC does not believe it is required to provide additional goods or services to the patient. Performance obligations associated with outpatient services are satisfied at the time services are rendered.

MWHC determines the transaction price based on standard charges for goods and services provided, reduced by the explicit price concession provided to third-party payors, discounts provided to uninsured patients in accordance with MWHC's policy, and implicit price concessions provided to uninsured patients. MWHC determines its estimates of explicit price concessions based on contractual agreements, its discount policies, and historical experience. MWHC determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

MWHC has agreements with third-party payors that provide for reimbursement to MWHC at amounts different from its established rates. Explicit price concessions under third-party reimbursement programs represent the difference between MWHC billings at established rates for services and amounts reimbursed by third-party payors.

A summary of the payment arrangements with major third-party payors follows:

Medicare – MWHC is reimbursed by Medicare under a prospective payment system (PPS). Under this methodology, inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The majority of outpatient services are paid at prospectively determined rates per medical procedure. Classification of patients under the Medicare program and the appropriateness of their admission are subjected to an independent review by a peer review organization under contract. The Hospitals are reimbursed for certain indirect cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospitals and audits thereof by the Medicare Administrative Contractor.

1. Summary of Significant Accounting Policies (continued)

Net Patient Service Revenue (continued)

Medicaid – Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. The majority of outpatient services are paid at prospectively determined rates per medical procedure.

The Virginia Medicaid program expanded coverage to residents of the Commonwealth at income levels previously not covered effective January 1, 2019, consistent with Medicaid expansion provisions included in the Patient Protection and Affordable Care Act passed by Congress in 2010. Most of the cost of expansion is borne by the federal government, with the balance of the cost funded by hospitals operating in the Commonwealth through an assessment program. The Medicaid program also implemented a payment improvement provision involving additional assessments from hospitals in the Commonwealth which are matched with federal funds and returned to the hospitals in the form of lump sum payments intended to improve compensation to the hospitals for the cost of caring for Medicaid patients. These changes impacted payor mix, net patient revenue, and operating expenses of the clinical divisions of MWHC.

Anthem – Inpatient services are reimbursed based on a prospectively determined rate per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed by percentage of charges or fee schedule based on diagnosis and are not subject to retroactive adjustment.

Managed Care and Commercial – MWHC has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Other – Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge MWHC's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon MWHC. In addition, the contracts MWHC has with commercial payors also provide for retroactive audit and review of claims.

1. Summary of Significant Accounting Policies (continued)

Net Patient Service Revenue (continued)

Settlements with third-party payors for retroactive adjustments due to audits, review, or investigations are considered variable consideration and are included in the determination of estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and MWHC's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

MWHC provides services to uninsured patients and offers those uninsured patients a discount from standard charges. Patients who are covered by third-party payors are responsible for related deductibles and coinsurance. MWHC estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as a credit loss. Credit losses for the years ended December 31, 2023 and 2022, was not considered material.

Because all of its performance obligations relate to contracts with a duration of less than one year, MWHC has elected to apply the optional exemption provided in the authoritative guidance and, therefore, is not required to disclose the aggregate amount of the transaction prices allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period. MWHC has applied the practical expedient and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that MWHC otherwise would have recognized is one year or less in duration.

MWHC has elected the practical expedient allowed under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the MWHC's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, MWHC does, under certain circumstances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Patients who meet MWHC's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

1. Summary of Significant Accounting Policies (continued)

Net Patient Service Revenue (continued)

MWHC has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are primarily affected by the payor and service line. Because all of MWHC's revenues originate in the same general geographic area, it was not considered to be a factor. As participants in the Virginia Medicaid Program, Mary Washington and Stafford receive quarterly enhancement payments (Note 11). These payments are treated as Medicaid Inpatient revenues.

The following tables provide details of these factors.

MWHC's net patient service revenue by primary payor during the years ended December 31 are as follows:

	2023		2022	
Medicare	**$ 217,373,887**	**23%**	$ 219,202,456	26%
Anthem	**186,534,263**	**20%**	170,252,252	20%
Managed Care	**171,976,472**	**18%**	137,567,682	16%
Commercial	**138,087,204**	**15%**	136,239,909	16%
Medicaid	**122,956,227**	**13%**	105,792,752	12%
Other	**77,533,925**	**8%**	63,913,470	8%
Self Pay	**23,675,287**	**3%**	18,069,233	2%
	$ 938,137,265	**100%**	$ 851,037,754	100%

MWHC's net patient service revenue by service line during the years ended December 31 are as follows:

	2023		2022	
Hospital Inpatient	**$ 396,089,849**	**42%**	$ 399,920,672	47%
Hospital Outpatient	**332,479,329**	**35%**	270,100,990	32%
Hospice	**8,295,748**	**1%**	8,445,593	1%
Physician and Other Outpatient Services	**201,272,339**	**22%**	172,570,499	20%
	$ 938,137,265	**100%**	$ 851,037,754	100%

1. Summary of Significant Accounting Policies (continued)

Insurance Premiums

MWHC provides Medicare Managed Care insurance services through its subsidiary, Mary Washington Health Plan. Insurance premium revenue is recognized as income in the period in which enrollees are entitled to receive healthcare services, which represents the performance obligation. Insurance premium payments received in advance of the service period are recorded as unearned revenues. Laws and regulations governing the Medicare programs are complex and subject to interpretation. MWHC believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to government review and interpretation as well as significant regulatory action, including fines, penalties and exclusion from the programs. As a result, there is at least a reasonable possibility that recorded estimates may change. Effective December 31, 2023, Mary Washington Health Plan is no longer writing new insurance policies.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – net assets available for use in general operations and not subject to donor restrictions. All revenues not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions – net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenue restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When the donor restriction expires, that is, when the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Net assets with restrictions are comprised primarily of endowment funds and the related net realized gains and losses on those funds.

Current accounting standards require certain disclosures for donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Commonwealth of Virginia has adopted UPMIFA. In management's opinion, the adoption of UPMIFA had no impact on the accounting of MWHC's endowments.

Leases

MWHC determines if an arrangement is a lease at inception. Operating leases are included in right-of-use assets - operating leases, net, current operating lease obligations, and long-term operating lease obligations on MWHC's consolidated balance sheets. Finance leases are included in property, plant, and equipment, current maturities of long-term obligations, and long-term obligations on the consolidated balance sheets.

1. Summary of Significant Accounting Policies (continued)

Leases (continued)

Right-of-use assets - operating leases, net represent MWHC's right to use an underlying asset for the lease term and operating lease obligations represent MWHC's obligation to make lease payments arising from the lease. Right-of-use assets - operating leases, net and obligations are recognized at the commencement date based on the present value of lease payments over the lease term. When MWHC's leases do not provide an implicit rate, MWHC estimates the borrowing rate based on the information available at the commencement date in determining the present value of lease payments. MWHC's lease terms may include options to extend or terminate the lease when it is reasonably certain that MWHC will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

MWHC has lease agreements with lease and non-lease components, which are generally accounted for separately. For certain equipment leases, MWHC accounts for the lease and non-lease components as a single lease component. Additionally, for certain equipment leases, MWHC applies a portfolio approach to effectively account for the transaction.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in Note 9. The consolidated tables of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to MWHC are reported at fair value at the date the promise is received.

The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported on the consolidated statements of operations and changes in net assets as other revenue.

Income Taxes

MWHC was recognized as a public charity generally exempt from federal income taxation under 501(c)(3) of the Internal Revenue Code (IRC) pursuant to a determination letter issued by the Internal Revenue Service (IRS) in March 1992. MWHC is entitled to rely on this determination as long as there are no substantial changes in its character, purposes, or methods of operation. Management has concluded that there have been no such changes and, therefore, MWHC's status as a public charity exempt from federal income taxation remains in effect. The state in which MWHC operates also provides general exemption from state income taxation for organizations that are exempt from federal income taxation.

However, MWHC is subject to both federal and state income taxation at corporate tax rates on its unrelated business income. Exemption from other state taxes, such as real and personal property taxes, is separately determined. Certain entities under MWHC are taxable entities.

1. Summary of Significant Accounting Policies (continued)

Income taxes (continued)

MWHC had no unrecognized tax benefits or liabilities, or such amounts were immaterial during the periods presented. For tax periods with respect to which no unrelated business income was recognized, no tax return was required. Tax periods for which no return is filed remain open for examination indefinitely. Generally, tax returns for the years ended December 31, 2020, and thereafter remain subject to examination by federal and state tax authorities. All required tax filings have been filed on a timely basis.

Reclassifications

Certain reclassifications have been made to the 2022 consolidated financial statements in order to conform to the 2023 presentation.

Subsequent Events

Management has evaluated subsequent events through April 16, 2024, which is the date the consolidated financial statements were issued.

Recent Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Updated (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. On January 1, 2023, the MWHC adopted the ASU. The adoption of this ASU did not materially impact the consolidated financial statements.

2. Assets Whose Use is Limited

The fair market values of assets whose use is limited as of December 31 are summarized as follows:

	2023	2022
Internally designated for healthcare programs and capital acquisitions:		
Cash and cash equivalents	$ 2,134,351	$ 14,853,054
Equity securities	295,698,930	239,043,865
Alternative investments	463,420	482,210
Pledges receivable	10,665	1,845
	298,307,366	254,380,974
Internally designated for insurance claims:		
Cash and cash equivalents	111,188	892,512
Equity securities	11,514,446	10,046,062
U.S. Treasury Notes	3,563,092	5,588,636
Corporate Bonds	2,512,001	1,715,728
	17,700,727	18,242,938
Externally restricted under bond indenture agreement (held by trustee):		
Cash and cash equivalents	25,388,164	-
Externally restricted by donors:		
Cash and cash equivalents	162,489	1,193,643
Equity securities	17,129,300	17,511,174
Pledges receivable	653,109	218,571
	17,944,898	18,923,388
	$ 359,341,155	$ 291,547,300

Investment income and gains (losses) on assets whose use is limited are comprised of the following for the years ended December 31:

	2023	2022
Revenue and other support:		
Interest and dividends	$ 9,237,182	$ 9,169,754
Nonoperating gains:		
Unrealized gains (losses)	37,952,424	(71,466,416)
Realized (losses)	(773,651)	(961,299)
	46,415,955	(63,257,961)
Changes in net assets with donor restrictions:		
Interest and dividends	784,924	119,861
	$ 47,200,879	$ (63,138,100)

2. Assets Whose Use is Limited (continued)

Gains and losses on investments, including realized, unrealized, and impairment losses, are reported on the consolidated statements of operations and changes in net assets as nonoperating gains and losses. Net appreciation (depreciation) of investments includes realized and unrealized gains (losses) on investments.

Current accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establish a framework for measuring fair value and establish a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date, as follows:

Level 1: Observable inputs such as quoted prices in active markets

Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable

Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumption

Assets and liabilities are classified in their entirety based on the level of input that is significant to the fair value measurement. MWHC's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. There were no changes in valuation techniques during the current year.

Prices for certain money market funds, fixed income, mutual funds, exchange-traded funds, and managed futures that are readily available in the active markets in which those securities are traded and the resulting fair values are categorized as Level 1. Prices for certain commingled trust funds are determined on a recurring basis based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2. Prices for certain private equity funds, real estate funds, limited partnerships, and fund of funds are categorized as Level 3. Because of the inherent uncertainty of valuations of Level 3 investments, their estimated values may differ significantly from the values that would have been used had a ready market for the Level 3 investments existed, and the difference could be material.

The following discussion describes the valuation methodologies used for financial assets measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates, and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about MWHC's business, its value, or financial position based on the fair value information of financial assets presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of the timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. Furthermore, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in the amounts disclosed.

2. Assets Whose Use is Limited (continued)

Fair values for MWHC's fixed maturity securities (corporate bonds, government debt securities, and government mortgage and asset backed securities) are based on prices provided by its investment managers, who use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the provider's experience.

Fair values of equity securities have been determined by MWHC from observable market quotations, when available. Private placement securities and other equity securities where a public quotation is not available are valued by using broker quotes.

Alternative investments are recorded under the equity method of accounting using net asset value (NAV). The NAV of alternative investments is based on valuations provided by the administrators of the specific financial instrument. The underlying investments in these financial instruments may include marketable debt and equity securities, commodities, foreign currencies, derivatives, and private equity investments. The underlying investments themselves are subject to various risks, including market, credit, liquidity, and foreign exchange risk. MWHC believes the NAV is a reasonable estimate of its ownership interest in the alternative investments. MWHC's risk of alternative investments is limited to its carrying value. Alternative investments can be divested only at specific times in accordance with terms of the subscription agreements. Because these financial instruments are not readily marketable, the estimated carrying value is subject to uncertainty, and, therefore, may differ from the value that would have been used had a market for such financial instruments existed. Under current accounting standards, investments using the NAV are to be excluded from the fair value hierarchy.

In the absence of any independent quotations, securities will be valued by the fund managers on the basis of data obtained from the best available sources. Although the various fund managers use their professional judgment at estimating the fair value of the alternative investments, there are inherent limitations in any valuation technique. Therefore, the value determined by fund managers is not necessarily indicative of the amount that could be realized in a current transaction. Future events will also affect the estimates of fair value, and the effect of such events on the estimates of the fair value could be material.

2. Assets Whose Use is Limited (continued)

The following tables present MWHC's financial assets that are measured at fair value on a recurring basis as of December 31:

	2023			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Cash and cash equivalents	**$ 27,796,192**	**$ -**	**$ -**	**$ 27,796,192**
Equity securities				
Mutual funds				
Global stock	**202,334,386**	**-**	**-**	**202,334,386**
Intermediate term bond	**48,981,769**	**-**	**-**	**48,981,769**
Large cap	**7,426,156**	**-**	**-**	**7,426,156**
Multi-sector bond	**33,795,342**	**-**	**-**	**33,795,342**
Multi-sector stock	**28,333,648**	**-**	**-**	**28,333,648**
Global Developing Market	**3,471,375**	**-**	**-**	**3,471,375**
U.S. Treasury Notes	**-**	**3,563,092**	**-**	**3,563,092**
Corporate Bonds	**-**	**2,512,001**	**-**	**2,512,001**
Alternative investments	**-**	**-**	**-**	**463,420**
	$ 352,138,868	**$ 6,075,093**	**$ -**	**$ 358,677,381**

	2022			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Cash and cash equivalents	$ 16,939,209	$ -	$ -	$ 16,939,209
Equity securities				
Mutual funds				
Global stock	128,017,532	-	-	128,017,532
Intermediate term bond	46,680,701	-	-	46,680,701
Small cap	19,038,444	-	-	19,038,444
Large cap	41,650,556	-	-	41,650,556
Multi-sector bond	25,171,682	-	-	25,171,682
Multi-sector stock	6,042,186	-	-	6,042,186
U.S. Treasury Notes	-	5,588,636	-	5,588,636
Corporate Bonds	-	1,715,728	-	1,715,728
Alternative investments	-	-	-	482,210
	$ 283,540,310	$ 7,304,364	$ -	$ 291,326,884

2. Assets Whose Use is Limited (continued)

Pledges receivable, net of allowance, of approximately $664,000 and $220,000 as of December 31, 2023 and 2022, respectively, represent financial assets that are classified as assets whose use is limited in the accompanying consolidated financial statements that are not measured at fair value on a recurring basis.

3. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31:

	2023	2022
Healthcare programs and services	**$ 9,394,149**	$ 10,704,149
Acquisition of building and equipment	**603,863**	610,407
Educational seminars, scholarships, and other	**1,688,676**	1,350,622
Total subject to expenditure for specified purposes	**11,686,688**	12,665,178
Endowment funds - income expendable to support charitable purposes	**6,258,210**	6,258,210
Net assets with donor restrictions	**$ 17,944,898**	$ 18,923,388

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors is as follows for the years ended December 31:

	2023	2022
Healthcare programs and services	**$ 2,591,685**	$ 1,267,691
Educational seminars, scholarships, and other	**81,102**	46,945
Net assets released from restrictions	**$ 2,672,787**	$ 1,314,636

4. Property, Plant, and Equipment

Property, plant, and equipment as of December 31 consist of the following:

	2023	2022
Land and land improvements	**$ 66,013,694**	$ 64,877,434
Buildings	**411,611,945**	388,295,228
Fixed equipment	**71,707,223**	70,800,150
Movable equipment	**364,324,412**	366,692,268
Construction in progress	**44,595,335**	11,624,824
	958,252,609	902,289,904
Less accumulated depreciation and amortization	**627,348,749**	603,200,794
	$ 330,903,860	$ 299,089,110

Approximately $893,000 and $807,000 of additions to property, plant, and equipment were included in accounts payable as of December 31, 2023 and 2022, respectively. During the years ended December 31, 2023 and 2022, MWHC recognized depreciation and amortization expense of approximately $43,467,000 and $42,970,000, respectively. During the years ended December 31, 2023 and 2022, MWHC disposed of approximately $18,394,000 and $29,200,000 of property, plant, and equipment, respectively, for which MWHC recognized an immaterial loss on disposals.

5. Long-Term Obligations

Long-term obligations as of December 31 consist of the following:

	2023	2022
Note payable issued in June 2007 to the Economic Development Authority of the City of Fredericksburg, Virginia, who in turn issued Hospital Facilities Revenue and Refunding Bonds (Series 2007). The bonds matured in 2023. Bond maturity was in graduated annual amounts ranging from $660,000 in 2007 to $7,600,000 in 2023 and bore interest at varying rates ranging from 5.00% to 5.25%.	**$ -**	$ 7,600,000
Note payable issued in May 2014 to the Economic Development Authority of the City of Fredericksburg. Virginia, which in turn issued Hospital Facilities Revenue and Refunding Bonds (Series 2014). The bonds mature in graduated annual amounts ranging from $4,375,000 in 2024 to $6,920,000 in 2033 and bear fixed interest at rates ranging from 4.00% to 5.00%.	**56,210,000**	56,210,000
Note payable issued in May 2016 to the Economic Development Authority of Stafford County, Virginia, which in turn issued Hospital Facilities and Refunding Bonds (Series 2016). The bonds mature in graduated annual amounts ranging from $470,000 in 2017 to $16,700,000 in 2037 and bear fixed interest at rates ranging from 3.00% to 5.00%.	**108,700,000**	109,400,000
Note payable issued in November 2016 to the Economic Development Authority of the City of Fredericksburg, Virginia, which in turn issued Hospital Facilities Refunding Revenue Bonds (Series 2016A). The bonds mature in graduated annual amounts ranging from $960,000 in 2017 to $1,360,000 in 2038. The interest is adjustable monthly and is based on One-Month SOFR (One-Month LIBOR prior to December 2022). The interest rate averaged 4.93% and 2.29% during 2023 and 2022, respectively.	**22,940,000**	24,120,000
Note payable issued in May 2020 to Atlantic Union Bank. Payments including principal and interest are due through May 2027. The fixed interest rate on this loan is 3.38%.	**2,796,415**	3,554,986

5. Long-Term Obligations (continued)

	2023	2022
Note payable issued in December 2019 to Atlantic Union Bank (Obligated Group Note 2019-1). Payments including principal and interest are due through January 2038. Interest rates are adjusted monthly and are based on One-Month SOFR (One-Month LIBOR prior to December 2022). The interest rate averaged 6.15% and 2.57% during 2023 and 2022, respectively.	**$ 7,531,377**	$ 7,556,486
Note payable issued in November 2023 to Virginia Small Business Financing Authority, which in turn issued a Health Care Facilities Revenue Bond (Series 2023) to Banc of America Public Capital Corp. The bond matures in graduated annual amounts ranging from $500,000 in 2026 to $4,475,000 in 2053. The interest is adjustable monthly and is based on Daily SOFR. The interest rate averaged 5.23% in 2023.	**50,000,000**	-
Finance leases	**7,905,519**	6,759,274
	256,083,311	215,200,746
Plus: Premium on Series 2007 Bonds	**-**	21,712
Plus: Premium on Series 2014 Bonds	**1,087,101**	1,291,232
Plus: Premium on Series 2016 Bonds	**8,496,000**	9,430,332
	265,666,412	225,944,022
Less: Deferred Financing Costs	**(1,110,729)**	(1,088,026)
Current maturities of long-term obligations	**(12,869,067)**	(12,437,498)
	$ 251,686,616	$ 212,418,498

The approximate aggregate maturities for long-term obligations as of December 31, 2023, are as follows:

Years Ending December 31:	
2024	$ 12,869,067
2025	12,917,207
2026	13,901,727
2027	13,047,616
2028	12,670,128
Thereafter	190,677,566
	$ 256,083,311

5. Long-Term Obligations (continued)

The Series 2016, 2016A, 2014, and 2007 bonds and the 2023 and 2019 note are secured by a pledge of the gross receipts of each member of the Obligated Group, which consists of Mary Washington Healthcare, Mary Washington, Stafford, MWH Foundation, and Properties. The related master trust indenture contains certain restrictions, including an annual debt service coverage ratio requirement. In the opinion of management, the Obligated Group was in compliance with the provisions of the master trust indenture for the year ended December 31, 2023. The 2020 note payable is secured by certain tangible and intangible assets held by Endoscopy Holdings.

During the years ended December 31, 2023 and 2022, MWHC paid approximately $9,356,000 and $8,553,000, respectively, for interest.

MWHC also has available a line of credit with a financial institution in the amount of $30,000,000 that accrues interest at a variable rate of 6.6% based on the one month secured overnight financing rate (SOFR) and matures on November 30, 2025. The outstanding balance of this line of credit was $0 as of December 31, 2023 and 2022.

6. Retirement Plans

MWHC sponsors two retirement plans for its associates. The first is a traditional, noncontributory, defined benefit retirement plan (Plan). The second is a supplemental, defined contribution retirement plan (Supplemental Plan). Both plans cover substantially all of MWHC's employees and are subject to provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Further details are provided for each plan.

Defined Benefit Plan

Effective December 31, 2003, the Plan was frozen relative to allowing new participants. Employees of record as of December 31, 2003, continued to be eligible for benefits under the Plan. Employees hired on or after January 1, 2004, are not eligible to participate in the Plan. Effective May 22, 2010, the Plan was frozen relative to all future benefit accruals.

Benefits to eligible participants, which are based upon fixed percentages of a participant's average earnings for credited years of services, are paid when an employee reaches retirement age (normally 65). MWHC's funding policy is to contribute amounts to the Plan sufficient to meet the minimum funding requirements under the ERISA, plus such additional amounts as MWHC may determine to be appropriate from time to time.

The overall financial objectives of the Plan's asset accumulation strategy are to provide funds for the timely payment of Plan obligations and to produce an investment rate of return that minimizes MWHC contributions.

During the year ended December 31, 2023, MWHC offered a special lump-sum window to certain eligible participants of the Plan. As a result, the Plan paid out settlements approximating $18,400,000 and MWHC recognized approximately $3,500,000 as a settlement charge.

6. Retirement Plans (continued)

The following table sets forth the Plan's funded status as of the measurement date, December 31:

	2023	2022
Reconciliation of Benefit Obligation and Plan Assets as of December 31:		
Change in benefit obligation		
Benefit obligation at beginning of year	**$ 144,518,980**	$ 192,196,565
Interest cost	**7,706,150**	5,653,447
Benefits paid	**(8,719,537)**	(8,561,862)
Actuarial (gain) loss	**2,339,803**	(44,769,170)
Settlements	**(18,377,144)**	N/A
Benefit obligation at end of year	**$ 127,468,252**	$ 144,518,980
Change in Plan assets		
Fair value of Plan assets at beginning of year	**$ 129,292,044**	$ 162,662,153
Return (loss) on Plan assets	**15,714,098**	(27,808,247)
Employer contributions	**3,000,000**	3,000,000
Benefits paid	**(8,719,537)**	(8,561,862)
Settlements	**(18,377,144)**	N/A
Fair value of Plan assets at end of year	**$ 120,909,461**	$ 129,292,044

	2023	2022
Funded Status Reconciliation and Key Assumptions as of December 31:		
Reconciliation of funded status		
Funded status of Plan at end of year	**$ (6,558,791)**	$ (15,226,936)
Net amount recognized	**$ (6,558,791)**	$ (15,226,936)
Amounts recognized on the consolidated balance sheets		
Noncurrent (liabilities)	**$ (6,558,791)**	$ (15,226,936)
	$ (6,558,791)	$ (15,226,936)
Cumulative amounts recognized in other changes in net assets without donor restrictions		
Accumulated loss	**$ 23,842,345**	$ 33,883,121
Accumulated other changes in net assets without donor restrictions	**$ 23,842,345**	$ 33,883,121

6. Retirement Plans (continued)

Defined Benefit Plan (continued)

The significant changes in the benefit obligation for the periods ending December 31 were primarily due to the movement in the discount rate.

	2023	2022
Information for pension plans with an accumulated benefit obligation in excess of plan assets		
Projected benefit obligation	**$ 127,468,252**	$ 144,510,580
Accumulated benefit obligation	**127,468,252**	144,510,580
Fair value of plan assets	**120,909,461**	129,292,044

The 2023 and 2022 benefit obligations presented above are based on the Pri-2012 (Mortality Table) projected generationally with Scale MP-2021 (Mortality Improvement Scale).

Weighted-average assumptions used to determine benefit obligation		
Measurement date	**December 31, 2023**	December 31, 2022
Discount rate	**5.25%**	5.50%
Rate of compensation increase	**N/A**	N/A
Components of net periodic benefit expense		
Interest cost	**$ 7,706,150**	$ 5,653,447
Expected rate of return on Plan assets	**(9,546,982)**	(12,063,220)
Amortization of net (gain)/loss	**2,784,504**	3,190,028
Net periodic benefit expense	**943,672**	(3,219,745)
Recognized settlement (gain)/loss	**3,437,359**	N/A
Total one-time cost/(income)	**4,381,031**	(3,219,745)
Other changes in Plan assets and benefit obligations recognized in other changes in net assets without donor restrictions		
Net actuarial (gain)/loss	**(3,818,913)**	(4,906,103)
Recognition of net actuarial (gain)/loss due to settlement	**(3,437,359)**	-
Amortization of net (gain) or loss	**(2,784,504)**	(3,190,028)
Total recognized in other comprehensive income	**(10,040,776)**	(8,096,131)
Total recognized in net benefit cost and other changes in net assets without donor restrictions	**$ (5,659,745)**	$ (11,315,876)

6. Retirement Plans (continued)

Defined Benefit Plan (continued)

Weighted-average assumptions used to determine net periodic benefit expense		
Measurement date	**December 31, 2023**	December 31, 2022
Discount rate	**5.50%**	3.00%
Expected return on Plan assets	**7.50%**	7.50%
Rates of compensation increase	**N/A**	N/A

The Plan's weighted-average asset allocations by asset category at the Plan's measurement date of December 31 are as follows:

	2023	2022
Equity securities	**60%**	59%
Debt securities	**39%**	35%
Other (primarily cash and cash equivalents and fund of funds)	**1%**	6%
Total	**100%**	100%

The following benefit payments are expected to be paid during the years ending December 31:

2024	$	9,132,000
2025		9,152,000
2026		9,196,000
2027		9,217,000
2028		9,189,000
Years 2029-2033		45,547,000

As disclosed in Note 2, generally accepted accounting principles establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. Prices for mutual funds are readily available in the active markets in which those securities are traded and the resulting fair values are categorized as Level 1. Alternative investments are recorded under the equity method of accounting using net asset value. Under current accounting standards, investments using net asset value are to be excluded from the fair value hierarchy.

The following tables set forth by level the fair value hierarchy the Plan's financial assets accounted for at fair value as of December 31. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. MWHC's assessment of the significance of a particular input to the fair value measurement for Plan assets requires judgment and may affect the valuation of fair value of Plan investments and their placement within the fair value hierarchy levels.

6. Retirement Plans (continued)

	2023			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Cash and cash equivalents				
Money market	**$ 831,909**	**$ -**	**$ -**	**$ 831,909**
Equity securities				
Mutual funds				
Multi sector bonds	**19,741,481**	**-**	**-**	**19,741,481**
Multi sector stock	**72,561,520**	**-**	**-**	**72,561,520**
Intermediate term bonds	**27,764,141**	**-**	**-**	**27,764,141**
Other	**5,580**	**-**	**-**	**5,580**
Alternative investments	-	**-**	**4,830**	**4,830**
	$ 120,904,631	**$ -**	**$ 4,830**	**$ 120,909,461**

	2022			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Cash and cash equivalents				
Money market	**$ 7,551,088**	**$ -**	**$ -**	**$ 7,551,088**
Equity securities				
Mutual funds				
Multi sector bonds	**21,226,722**	**-**	**-**	**21,226,722**
Multi sector stock	**22,671,931**	**-**	**-**	**22,671,931**
Intermediate term bonds	**23,960,367**	**-**	**-**	**23,960,367**
Global stock	**53,852,216**	**-**	**-**	**53,852,216**
Other	**25,832**	**-**	**-**	**25,832**
Alternative investments	-	**-**	**3,888**	**3,888**
	$ 129,288,156	**$ -**	**$ 3,888**	**$ 129,292,044**

6. Retirement Plans (continued)

Supplemental Plan

The Supplemental Plan covers substantially all employees who are age twenty-one or older. The Supplemental Plan was adopted January 1, 1992, and is subject to the provisions of the ERISA. The Supplemental Plan has received a favorable determination letter from the IRS exempting it from federal income taxation under the IRC.

Each year, MWHC contributes 50% of the first 6% of base compensation up to a maximum regular matching contribution of 3% of covered compensation for the payroll period that each participant contributes to the Supplemental Plan. During 2023 and 2022, MWHC contributed approximately $6,827,000 and $6,152,000, respectively, to the Supplemental Plan.

Participants as of May 22, 2010, are 100% vested in all contributions plus actual earnings thereon. New participants after May 22, 2010, vest in the matching contributions and earnings thereon after three years of eligible service. MWHC can terminate the Supplemental Plan at any time. At such time, participants would be entitled to their vested benefits.

7. Malpractice Insurance

MWHC manages its professional and general liability through a controlled risk retention group and, effective for claims made January 1, 2011, forward, a Self-Insured Retention Group (SIR). For claims reported in 2023 and 2022 the SIR retained the first $500,000 of risk. Fredericksburg Professional Risk Exchange (ProRex), a subsidiary of MWHC, is a reciprocal insurance company licensed in the State of Vermont. For claims reported in 2023 and 2022, ProRex retained risk for MWHC and its subsidiaries of $2,600,000 and $2,550,000 per claim, respectively, and $7,800,000 and $7,500,000 in the aggregate, respectively. Risks above those limits are covered by a commercial excess insurance policy with a $20,000,000 aggregate limit.

MWHC owns 100% of SIR and ProRex, and their assets, liabilities, and operations are consolidated in the accompanying MWHC consolidated financial statements. SIR has accrued approximately $4,826,000 and $4,448,000 related to its share of estimated payments to be made for claims filed from January 1, 2011, through December 31, 2023 and 2022, respectively. ProRex has accrued approximately $4,430,000 and $4,270,000 related to its share of estimated payments to be made under its professional liability insurance program for claims filed through December 31, 2023 and 2022, respectively, as well as for estimated losses on unfiled claims which relate to events occurring in 2013 and prior years. The amount of liability accrued is based on independent actuarial estimates calculated on a discounted basis using a 2.92% interest rate for 2023 and 2.69% for 2022. Assets held by ProRex are restricted by statute from being transferred to another subsidiary or obligated for any other purpose and, accordingly, are included in assets whose use is limited. In addition, MWHC has accrued approximately $4,625,000 and $4,452,000 through December 31, 2023 and 2022, respectively, related to estimated liabilities for claims incurred but not yet reported.

8. Long-Term Accounts Payable

Long-term accounts payable consist of a long-term payable to Epic Systems Corporation. The interest rate is a fixed 4.00% for the first five years. The interest rate is then based on the 30-Day LIBOR rate with monthly payments to include an additional time value of money adjustment. The balance of this obligation was approximately $115,000 and $1,564,000 as of December 31, 2023 and 2022, respectively.

9. Functional Expenses

MWHC provides healthcare and related services in its geographic location. Expenses related to providing these services for the years ended December 31 are as follows:

	2023					
	Healthcare Services	Fundraising	Property Management	Management and General	Insurance	Total
Salaries and wages	$ 358,754,049	$ 386,828	$ 785,691	$ 13,925,019	$ 211,160	$ 374,062,747
Employee benefits	65,536,336	87,054	140,350	1,954,428	45,292	67,763,460
Contract personnel	42,335,703	-	-	323,716	-	42,659,419
Professional fees	86,762,111	65,510	44,762	2,160,460	6,780,239	95,813,082
General and administrative	60,869,925	270,174	1,074,849	3,642,391	24,231	65,881,570
Provisions for depreciation and amortization	32,792,311	293	4,489,508	6,183,588	1,238	43,466,938
Interest	966,868	-	458,070	8,422,541	-	9,847,479
Cost of retail goods sold	6,016,899	-	-	-	-	6,016,899
Contract services	76,203,375	46,228	1,988,988	1,207,916	69,279	79,515,786
Supplies	153,667,568	26,574	199,370	691,755	2,728	154,587,995
Medical insurance	-	-	-	-	26,382,516	26,382,516
Utilities	4,332,283	-	2,141,271	4,408	-	6,477,962
Insurance	2,945,217	2,935	13,290	1,063,792	95,689	4,120,923
Rent	10,534,597	2,245	3,205,070	3,760,532	-	17,502,444
Other	5,405,306	3,218	394,040	91,894	35	5,894,493
	$ 907,122,548	$ 891,059	$ 14,935,259	$ 43,432,440	$ 33,612,407	$ 999,993,713

9. Functional Expenses (continued)

	2022					
	Healthcare Services	Fundraising	Property Management	Management and General	Insurance	Total
Salaries and wages	$ 320,152,543	$ 376,750	$ 699,998	$ 9,553,236	$ 472,107	$ 331,254,634
Employee benefits	59,752,085	84,347	130,538	1,865,281	80,962	61,913,213
Contract personnel	46,519,487	-	-	365,735	-	46,885,222
Professional fees	78,422,020	26,871	33,961	906,017	5,324,518	84,713,387
General and administrative	52,784,774	131,526	1,011,936	2,681,553	41,952	56,651,741
Provisions for depreciation and amortization	33,494,775	293	4,426,697	5,047,435	1,238	42,970,438
Interest	548,185	-	220,586	7,887,674	-	8,656,445
Cost of retail goods sold	5,453,287	-	-	-	-	5,453,287
Contract services	73,962,631	61,438	2,066,657	1,098,696	29,244	77,218,666
Supplies	138,950,767	24,029	180,276	625,505	2,467	139,783,044
Medical insurance	-	-	-	-	22,572,278	22,572,278
Utilities	4,255,265	-	2,001,144	-	-	6,256,409
Insurance	3,283,151	2,741	14,632	1,315,801	23,492	4,639,817
Rent	9,589,451	2,904	2,959,265	3,429,620	-	15,981,240
Other	5,270,112	2,830	849,143	120,019	-	6,242,104
	$ 832,438,533	$ 713,729	$ 14,594,833	$ 34,896,572	$ 28,548,258	$ 911,191,925

The consolidated financial statements report certain expense categories that are attributable to more than one service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and amortization, interest, and certain other costs are allocated to a function based on the originating department.

10. Concentration of Credit Risk

The Hospitals and Mary Washington Healthcare grant credit without collateral to their patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net accounts receivable from patients and third-party payors as of December 31 was as follows:

	2023	2022
Managed Care	**30%**	32%
Medicare	**18%**	19%
Anthem	**18%**	19%
Commercial	**15%**	18%
Other	**16%**	8%
Medicaid	**2%**	3%
Self Pay	**1%**	1%
	100%	100%

11. Risks and Uncertainties

The U.S. healthcare industry continues to experience significant change. Today, the primary force for change is being created by a competitive marketplace resulting in rapid change in healthcare delivery and financing as well as significant regulatory change.

An increasing number of MWHC’s third-party payors are adopting payment systems which shift financial risk from the payor/insurer to the healthcare provider. MWHC has signed provider contracts with several managed care organizations, which emphasize utilization control and cost containment. Managed care organizations either directly transfer risk to healthcare providers through capitation payment arrangements or pay for units of service on a steeply discounted basis.

The Joint Commission, a non-governmental privately owned entity, provides accreditation status to hospitals and other healthcare organizations in the United States. Such accreditation is based upon a number of requirements such as undergoing periodic surveys conducted by Joint Commission personnel. Certain managed care payors require hospitals to have appropriate Joint Commission accreditation in order to participate in those programs. In addition, the Centers for Medicare and Medicaid Services (CMS), the agency with oversight of the Medicare and Medicaid programs, provides “deemed status” for facilities having Joint Commission accreditation. By being Joint Commission accredited, facilities are “deemed” to be in compliance with the Medicare and Medicaid conditions of participation. Termination as a Medicare provider or exclusion from any or all of these programs/payors would have a materially negative impact on the future financial position, operating results, and cash flows of MWHC.

MWHC is involved in litigation arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters will be resolved without material adverse effect on MWHC's consolidated financial position.

11. Risks and Uncertainties (continued)

MWHC's investments are exposed to interest rate risk, market risk, performance risk, and liquidity risk. These conditions create uncertainty regarding the future valuation of MWHC's invested funds, its access to capital, and the resulting impact on the future financial position, operations, and cash flows of MWHC could be material.

The Commonwealth of Virginia must operate with balanced budgets and since the Medicaid program is one of the state's largest programs, it is possible that Virginia will enact or consider enacting legislation designed to reduce its Medicaid expenditures.

12. Liquidity and Availability

As of December 31, 2023, MWHC has working capital of approximately $107,512,000 and approximately 136 days cash on hand.

Financial assets available for general expenditure within one year of the consolidated balance sheets dates consist of the following as of December 31:

	2023	**2022**
Cash and cash equivalents	**$ 58,015,314**	$ 67,469,234
Patient accounts receivable	**88,427,456**	73,030,574
Other accounts receivable	**19,097,048**	12,199,087
Assets limited as to use:		
Board designated funds	**298,307,366**	254,380,974
	$ 463,847,184	$ 407,079,869

MWHC estimates the majority of Board designated funds are available for general expenditure within one year in the normal course of operations. MWHC has other assets whose use is limited for professional and general liability insurance, bond indenture and for donor-restricted purposes. These assets whose use is limited are not available for general expenditure within the next year and are not reflected in the amounts above.

13. Leases

MWHC leases office and medical space and equipment. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet; MWHC recognizes lease expense for these leases on a straight-line basis over the lease term. For lease agreements entered into or reassessed after the adoption of Topic 842, MWHC combines lease and nonlease components.

Most leases include one or more options to renew, with renewal terms that can extend the lease term from 1 to 26 years or more. The exercise of lease renewal options is at management's sole discretion. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. MWHC's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Maturities of lease liabilities were as follows as of December 31, 2023:

Years Ending December 31	Finance Lease	Operating Leases	Total
2024	$ 2,677,503	$ 7,254,930	$ 9,932,433
2025	2,225,607	6,863,184	9,088,791
2026	1,985,416	6,396,870	8,382,286
2027	1,040,408	5,324,714	6,365,122
2028	487,764	4,792,646	5,280,410
Thereafter	-	22,261,997	22,261,997
Total lease payments	8,416,698	52,894,341	61,311,039
Less: Interest	(511,179)	(7,159,305)	(7,670,484)
Present Value of Lease Liabilities	$ 7,905,519	$ 45,735,036	$ 53,640,555

The components of lease expense were as follows for the years ended December 31:

Lease Cost	2023	2022
Operating lease cost	**$ 7,253,851**	$ 6,762,685
Finance Lease Cost:		
Amortization of leased assets	**2,143,852**	2,040,559
Interest on lease liabilities	**238,692**	235,898
Total Lease Cost	**$ 9,636,395**	$ 9,039,142

13. Leases (continued)

Supplemental consolidated balance sheet information related to leases were as follows as of December 31:

Leases Classification			2023		2022
Asset					
Operating	Right-of-use assets – operating leases, net	**$**	**43,640,319**	$	35,354,360
Finance	Property and equipment, gross		**14,948,916**		13,442,072
Finance	Accumulated depreciation		**(7,913,453)**		(6,252,772)
Total lease assets		**$**	**50,675,782**	$	42,543,660
Liabilities					
Current					
Operating	Current operating lease obligations	**$**	**5,331,397**	$	4,646,251
Finance	Current maturities of long-term obligations		**2,295,273**		1,953,788
Noncurrent					
Operating	Operating leases payable		**40,403,639**		32,465,567
Finance	Long-term obligations		**5,610,246**		4,805,486
Total lease liabilities		**$**	**53,640,555**	$	43,871,092
Lease Term and Discount Rate					
Weighted average remaining lease term (years)					
Operating leases			**9.07**		8.38
Finance leases			**3.70**		3.89
Weighted average discount rate					
Operating leases			**3.91%**		4.00%
Finance leases			**3.76%**		3.92%

13. Leases (continued)

Supplemental cash flow information related to leases was as follows for the years ended December 31:

	2023	2022
Other Information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows - operating leases	**$ 5,795,427**	$ 6,660,700
Financing cash flows - finance leases	**2,096,091**	1,717,383
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	**26,614,754**	6,244,328
Finance leases	**3,195,960**	5,836,011

14. COVID-19 Pandemic

As a result of the COVID-19 pandemic, MWHC has experienced fluctuations in visits, patient days, and revenue which has contributed to fluctuations in total operating revenue and fluctuations in expenses related to supplies such as personal protective equipment and other expenditures. Federal and state governments have passed legislation, promulgated regulations, and taken other administrative actions intended to assist healthcare providers in providing care to COVID-19 and other patients during the public health emergency.

During the years ended December 31, 2023 and 2022, MWHC received notice of obligation of funding, and recognized as other revenue, amounts approximating $24,000,000 and $7,000,000, respectively, under a Disaster Assistance Agreement with the Commonwealth of Virginia Department of Emergency Management. These funds are expected to reimburse for costs incurred related to the COVID-19 disaster. MWHC has recognized approximately $14,000,000 and $7,000,000 in other accounts receivable on the consolidated balance sheet in anticipation of the receipt of the funding as of December 31, 2023 and 2022, respectively.

Other Financial Information

Mary Washington Healthcare – Obligated Group

Consolidated Balance Sheets

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	**$ 51,142,152**	$ 54,244,679
Accounts receivable:		
Patient accounts receivable	**72,481,944**	60,311,932
Settlements due from third parties	**31,488,450**	30,423,888
Due from affiliates	**5,974,858**	5,062,289
Other	**14,758,912**	7,511,758
	124,704,164	103,309,867
Inventories	**19,023,309**	19,039,335
Prepaid expenses and other	**17,427,386**	17,326,217
Total current assets	**212,297,011**	193,920,098
Assets whose use is limited:		
Internally designated for healthcare programs and capital acquisitions	**291,982,490**	248,964,775
Externally restricted under bonds	**25,388,164**	-
Externally restricted by donors	**17,099,457**	18,018,800
	334,470,111	266,983,575
Property, plant, and equipment, less accumulated depreciation and amortization	**307,416,115**	277,863,619
Right-of-use assets - operating leases, net	**38,856,347**	28,657,955
Other assets:		
Other non-current assets	**5,902,936**	4,341,605
Equity in subsidiaries	**25,162,675**	33,014,320
Total assets	**$ 924,105,195**	$ 804,781,172

(continued)

See Independent Auditors' Report

Mary Washington Healthcare – Obligated Group

Consolidated Balance Sheets (continued)

	December 31, 2023	December 31, 2022
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 50,527,662**	$ 40,297,642
Employee compensation and professional fees	**37,176,625**	33,876,309
Interest payable	**668,406**	406,425
Current maturities of long-term obligations	**9,985,843**	10,872,178
Current operating lease obligations	**4,273,913**	3,674,314
Current maturities of long-term accounts payable	**115,070**	1,537,814
Total current liabilities	**102,747,519**	90,664,682
Long-term obligations, less current maturities	**245,677,566**	203,555,612
Other liabilities:		
Long-term accounts payable, less current maturities	**-**	25,848
Long-term operating lease obligations	**36,186,732**	26,223,837
Accrued losses on insurance claims	**4,625,221**	4,451,936
Pension liability	**6,558,791**	15,218,536
Other	**4,819,944**	3,771,621
Total liabilities	**400,615,773**	343,912,072
Net assets:		
Net assets without donor restrictions	**505,544,524**	441,945,712
Net assets with donor restrictions	**17,944,898**	18,923,388
	523,489,422	460,869,100
Total liabilities and net assets	**$ 924,105,195**	$ 804,781,172

See Independent Auditors' Report

Mary Washington Healthcare – Obligated Group

Consolidated Statements of Operations

	Years ended December 31,	
	2023	**2022**
Revenue and other support:		
Net patient service revenue	**$ 739,691,619**	$ 680,094,702
Rental of facilities	**12,429,176**	12,216,224
Management and personnel services	**11,280,116**	10,657,586
Investment income	**8,247,865**	8,540,139
Unrestricted contributions	**520,526**	442,377
Other	**31,497,105**	13,358,901
	803,666,407	725,309,929
Expenses:		
Salaries and wages	**263,146,298**	231,395,265
Employee benefits	**49,470,715**	45,378,245
Contract personnel	**40,228,702**	45,072,651
Professional fees	**53,206,416**	50,316,474
General and administrative	**62,047,756**	52,731,069
Provision for depreciation and amortization	**37,849,392**	38,429,660
Interest	**9,440,202**	8,247,747
Contract services	**69,392,318**	67,385,236
Supplies	**132,037,199**	124,481,231
Utilities	**6,151,338**	5,962,911
Insurance	**2,455,897**	2,792,054
Rent	**13,937,127**	13,148,238
Other	**5,099,891**	5,497,921
	744,463,251	690,838,702
Income from operations	**59,203,156**	34,471,227
Nonoperating gains (losses):		
Net appreciation (depreciation) of investments	**35,527,741**	(68,187,334)
Pension (expense) gain, non-service component	**(4,381,031)**	3,219,745
(Losses) gains on investments in partnerships and other	**(809,555)**	276,903
Excess (deficiency) of revenues, gains, and other support over expenses and losses	**$ 89,540,311**	$ (30,219,459)

See Independent Auditors' Report

Mary Washington Healthcare – Obligated Group

Consolidated Statements of Cash Flows

	Years ended December 31, 2023	2022
Cash flows from operating activities and nonoperating gains (losses)		
Change in net assets	**$ 62,620,322**	$ (59,980,366)
Adjustments to reconcile change in net assets to net cash provided by operating activities and nonoperating gains (losses):		
Net (appreciation) depreciation of investments	**(35,527,741)**	68,187,334
Operating leases	**364,102**	240,507
Other nonoperating (gains) losses	**809,555**	(276,903)
Provisions for depreciation and amortization	**43,466,938**	42,970,438
Accretion of original issue premiums	**(1,160,175)**	(1,212,656)
Amortization of deferred financing costs	**(22,703)**	128,573
Change in equity in subsidiaries	**7,851,645**	18,247,524
Change in pension obligation other than net periodic pension cost	**(10,040,776)**	(8,096,131)
(Increase) decrease in:		
Accounts receivable	**(19,417,166)**	36,199
Settlement due from third parties	**(1,064,562)**	(12,479,784)
Inventories	**16,026**	(484,208)
Prepaid expenses and other	**(101,169)**	(3,186,500)
Due from non-obligated affiliates	**(912,569)**	(12,927,798)
Other	**(188,481)**	118,024
Increase (decrease) in:		
Accounts payable and accrued expenses	**10,230,020**	(5,251,769)
Employee compensation and professional fees	**3,300,316**	(2,518,126)
Interest payable	**261,981**	(13,366)
Accrued losses on malpractice claims	**173,285**	488,927
Pension liability	**1,381,031**	(6,219,745)
Net cash provided by operating activities and nonoperating gains (losses)	**62,039,879**	17,770,174

(continued)

See Independent Auditors' Report

Mary Washington Healthcare – Obligated Group

Consolidated Statement of Cash Flows (continued)

	Years ended December 31, 2023	2022
Cash flows from investing activities		
Change in assets whose use is limited:		
Net (purchases) proceeds of investments	**$ (6,134,891)**	$ 29,949,810
Changes in pledges receivable	**(435,740)**	(166,554)
Acquisition of property, plant, and equipment	**(72,163,501)**	(26,009,414)
Net cash (used in) provided by investing activities	**(78,734,132)**	3,773,842
Cash flows from financing activities		
Repayment of long-term accounts payable	**(1,448,592)**	(1,247,286)
Proceeds from long-term obligations	**50,000,000**	-
Repayment of Medicare accelerated and advanced payments	**-**	(56,929,990)
Repayment of long-term obligations	**(9,571,518)**	(9,288,075)
Net cash provided by (used in) financing activates	**38,979,890**	(67,465,351)
Net change in cash and cash equivalents	**22,285,637**	(45,921,335)
Cash and cash equivalents and restricted cash at beginning of year	**54,244,679**	100,166,014
Cash and cash equivalents and restricted cash at end of year	**$ 76,530,316**	$ 54,244,679
Cash and cash equivalents and restricted cash include		
Cash and cash equivalents	**$ 51,142,152**	$ 54,244,679
Assets limited as to use:		
Externally restricted under bonds	**25,388,164**	-
	$ 76,530,316	$ 54,244,679
Non-cash Transactions:		
Property, plant, and equipment acquired through vendor financing	**$ 1,990,015**	$ -

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